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Proposed programme budget for the biennium 2006-2007

Administrative expenses of the United Nations Joint Staff Pension Fund

Eighth report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Standing Committee of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (A/60/183). During its consideration of the report, the Committee met with the Chairman of the Standing Committee, the Deputy Chief Executive Officer of the Fund and the Representative of the Secretary-General for the Investments of the Fund.

2. The report of the Standing Committee of the United Nations Joint Staff Pension Board includes the revised estimates and performance report for the biennium 2004-2005, the proposed budget estimates for the biennium 2006-2007 and a request for authorization to supplement contributions to the Emergency Fund for the biennium 2006-2007 by an amount not exceeding $200,000.

3. As indicated in the overview of the activities of the Fund (A/60/183, para. 2), there are currently 21 member organizations under the umbrella of the United Nations Joint Staff Pension Fund, with a combined total of 142,235 active participants and beneficiaries as at 31 December 2004. The Advisory Committee notes from paragraph 4 of the budget document that this number reflects an increase in the number of active participants from 85,245 as at 31 December 2003 to 88,356 as at 31 December 2004 (3.6 per cent) and an increase in the number of beneficiaries from 52,496 as at 31 December 2003 to 53,879 as at 31 December 2004 (2.6 per cent).

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4. The Advisory Committee observes that the presentation of the budget document shows some improvements in comparison with the previous budget submission. **The Committee welcomes the efforts to present the budget document in a format that introduces some elements of results-based budgeting.** The Committee observes also that the Standing Committee requested that in future the Fund's budget be based on the resources required to achieve its objectives, similar to the format of results-based budgets (see A/60/183, annex I, para. 20).

5. **The Advisory Committee is of the view that more efforts should be made to streamline and shorten the report, to make it more user-friendly and to present it in a format more closely reflective of results-based budgeting. For example, various statistical data should be provided in graphs and charts in an annex to the budget document, rather than in the main body of the report. Information included under the heading "major objectives and indicators of achievement" should indeed provide indicators of achievement. Consideration should also be given to including information on benchmarks achieved and planned which could indicate how the Fund is performing in comparison with similar pension funds. Table 2, on human resources, containing the proposed staffing changes, should include all changes to the staffing establishment, including conversions, as well as the grand total for the table. Table 4, on financial resource requirements, and table 5, on human resource requirements for the Fund as a whole, should be accompanied by a short explanation of the most salient changes proposed for the next biennium.**

II. Revised budget estimates and performance report for the biennium 2004-2005

6. The General Assembly, in section X of its resolution 58/272 of 23 December 2003, approved appropriations for the biennium 2004-2005 totalling $80,770,800, chargeable directly to the Fund. This amount comprises $35,671,100 for administrative costs, $43,014,100 for investment costs and $1,443,200 for audit costs and is inclusive of extrabudgetary costs amounting to $642,400 to be funded by a number of member organizations. In section IV of its resolution 59/269 of 23 December 2004, the Assembly increased the administrative costs to $41,011,800, thereby raising the overall appropriation by $5,340,700, to $86,111,500 (inclusive of the extrabudgetary costs).

7. The Standing Committee approved the submission to the General Assembly of the revised estimates of $89,563,100 (excluding extrabudgetary resources totalling $642,400) for the biennium 2004-2005, which reflect additional requirements amounting to $4,069,600 (see A/60/183, para. 11). These additional requirements comprise an increase of $4,345,600 under investment costs partially offset by a reduction of $129,500 under administrative costs and by a reduction of $146,600 under audit costs.

8. As indicated in paragraphs 12 and 13 of the report of the Standing Committee, the estimated small capitalization portfolio fees for the biennium ending 31 December 2005 are anticipated to be approximately $11,100,000, which is $4,600,000 above the budget amount for the biennium 2004-2005. The additional costs reflect the increased market value of the Fund and the consequential increase

in fees paid to discretionary managers on the basis of the market value of the portion of the Fund that they manage.

III. Proposed budget for the biennium 2006-2007

9. The proposed budget of the Fund for the biennium 2006-2007 amounts to $101,417,000 (before recosting), comprising administrative costs of $52,584,500, investment costs of $47,174,600 and audit costs of $1,657,900. At 2006-2007 rates, the proposed budget includes the Pension Fund share of $91,968,400 and the United Nations share of $16,584,300 (see A/60/183, table 4). In addition, extrabudgetary resources of $131,000 are projected for the Fund for the biennium 2006-2007 for the continuation of one General Service (Other level) post for the after-service health-insurance deduction programme, which is fully funded by the participating organizations.

10. The estimate of $101,417,000 (before recosting) for the biennium 2006-2007 represents resource growth of $1,913,100, or 1.9 per cent, over the appropriation of $99,503,900 for 2004-2005 (see A/60/183, table 4). The overall resource growth of $1,913,100 includes growth of $4,160,500 under investment costs partially offset by a reduction in resource requirements of $2,173,500 and $73,900 under administrative costs and audit costs, respectively. The resource growth in the proposed investment expenditures relates, for the most part, to costs of new projects ($2,590,000), consultants ($900,000), additional posts ($828,100) and contractual services ($587,400).

11. With regard to the increase of $2,590,000 for projects to be undertaken during the biennium 2006-2007, the Advisory Committee observes that paragraphs 184 to 188 of the budget document contain information in support of the proposed projects. **The Committee requests that information also be given on time frames for the completion of projects and on their impact on operations of the Fund.** In this connection, the Committee notes that the working group of the Standing Committee requested that detailed information on staffing, hardware and software for the projects planned and being implemented be provided to the United Nations Joint Staff Pension Board at its next meeting (see A/60/183, annex I, para. 15 (b)).

12. Information on the estimated resource requirements of $900,000 under consultants is contained in paragraphs 145 to 153 of the budget document. The total of $900,000 would provide for two studies to be undertaken by consultants: (a) an asset and liability management study in accordance with industry standards ($400,000) and (b) a detailed analysis of the Fund's investment and operational transactions ($500,000). The Advisory Committee was informed, upon enquiry, that the proposed requirements of $900,000 are based on cost estimates provided by just one company. **The Committee trusts that competitive bidding will be conducted for the studies, as required, and the cost of the studies will be based on the results of such bidding.** The Committee discussed the presentation of resource requirements for the asset and liability management study with the members of the Fund Administration, who recognized the need to improve the clarity of the presentation, especially with regard to the use of such terms as "domestic and overseas investments" and "tax considerations".

13. A total of 184 posts (180 established, 3 temporary and 1 extrabudgetary) are projected for the Fund's administrative and investment operations for 2006-2007. As

shown in table 2 of the budget document, the proposed staffing provides for the establishment of 12 new posts and the upward reclassification of 3 posts under administration, and for the establishment of 4 new posts and the upward reclassification of 3 posts under investments. The proposed staffing reflects also a conversion of 6 temporary posts (3 P-4, 1 P-3 and 2 General Service (Other level)) into established posts under administration. Annex I to the budget document contains information on discussions in the Standing Committee on the revised budget estimates for the biennium 2004-2005 and on the budget estimates for the biennium 2006-2007, including staffing proposals by the Fund's Administration.

14. The table below summarizes the proposed staffing changes for the biennium 2006-2007, as supported by the Standing Committee:

Organizational unit (reference to para. in A/60/183)	*New posts, reclassifications and conversions of temporary posts to established posts*	*Post title*
Administration		
Office of the CEO (para. 21)	1 P-3	Statistician
Office of the Chief of Operations (para. 32)	Reclassification, 1D-1 to D-2	Chief of Operations
Accounts Unit (para. 48)	1 P-3	Deputy Chief
Accounts Unit (para. 49)	2 GS/OL	Accounting Assistant
Payments Unit (para. 54)	1 P-3	Finance Officer, P-3
Cashier (para. 67)	2 GS/OL	Treasury Assistant
Geneva Office (para. 81)	1 P-4	Benefits Officer
Geneva Office (para. 82)	2 GS/OL	Benefits Assistant
Information Systems Unit (para. 99)	Reclassification, 1 P-4 to P-5	Senior Information Management Officer
IT Operations Unit (para. 100)	Reclassification, 1 P-4 to P-5	Senior Information Management Officer
IT Operations Unit (para. 101)	1 P-4	Security Officer
IT Operations Unit (para. 102)	Conversion, 1 GS/OL	Computer Assistant
Information Systems Unit (para. 103)	Conversion, 1 GS/OL	Computer Assistant
Information Management Systems Service (para. 104)	Conversion, 1 P-3	Contracts Officer
IT Operations Unit (para. 105)	Conversion, 1 P-4	Technology Officer
Information Systems Unit (para. 106)	Conversion, 2 P-4	ICT Project Manager

Organizational unit (reference to para. in A/60/183)	*New posts, reclassifications and conversions of temporary posts to established posts*	*Post title*
Executive Office (para. 127)	1 P-3	Budget Officer
Investment		
Investment Section (para. 162)	1 P-5	Investment Officer
Investment Section (para. 163)	3 reclassifications, P-4 to P-5	Investment Officer
Information Systems Section (para. 178)	1 P-4	Infrastructure Manager
Risk and Compliance Section (para. 192)	1 P-5	Chief of Section
Risk and Compliance Section (para. 194)	1 P-4	Compliance Officer

15. The Advisory Committee notes that the working group of the Standing Committee did not support a number of staffing proposals submitted by the Fund Administration (see A/60/183, annex I, paras. 13 and 17). The Committee finds the explanations given in support of the recommendations of the working group on staffing proposals to be very useful.

16. **The Advisory Committee supports the conclusions of the Standing Committee in respect of the staffing proposals of the Fund Administration with the exception of the proposed reclassifications. With regard to the proposed reclassification of the D-1 post of the Chief of Operations to the D-2 level, the Committee is aware of the increased workload of the Chief of Operations as reflected in paragraph 32 of the budget document. However, the reclassification cannot be justified by the information reflected in the organization chart (see A/60/183, annexes II and III). The Committee recommends that the question of the level of the post of the Chief of the Operations be revisited in the next budget submission on the basis of a clearer delineation of the responsibilities of the post and of the organizational structure of the Fund**.

17. **In connection with the proposed reclassification of five P-4 posts to the P-5 level (2 in administration and 3 in investment), the Advisory Committee is concerned that the implementation of the reclassifications would create imbalances in post structure, exacerbate the confusion of reporting lines and contribute to further fragmentation of functions.** For example, the implementation of the reclassification of three P-4 posts to the P-5 level in investment would create a top-heaviness in the staffing structure (1 D-2, 10 P-5, 4 P-4 and 1 P-3). **The Committee is of the view that consideration should be given to a better organizational structure of the Investment Management Service, perhaps with the creation of a post of deputy to the Director of the Service at an appropriate level.**

18. The Advisory Committee is also of the view that the implementation of the proposed reclassification of two P-4 posts to the P-5 level in administration would

contribute to the fragmentation of functions in the Information Management Systems Service, since the two P-5 posts would be assigned to the chiefs of two units in the Service with very similar functions, as can be seen from paragraphs 99 and 100 of the budget document. **Moreover, since currently both the administration and investment sides of the Fund have their own information system services, the Committee is of the view that serious consideration should be given to consolidating these services under a single organizational structure which would encompass all activities of the Fund. Information to this effect should be included in the next budget submission for the Fund.**

19. The estimated cost of audit (both internal and external) of the administrative and investment operations of the Fund amounts to $1,657,900 (before recosting) for the biennium 2006-2007, reflecting negative resource growth of $73,900, or 4.3 per cent, in comparison with the appropriation of $1,731,800 for the biennium 2004-2005. The total estimated audit cost of $1,657,900 comprises the cost of external audit ($462,400) and internal audit ($1,195,500). As indicated in paragraph 198 of the budget document, about half of external audit costs relate to administrative operations and half to investment activities; furthermore, one third of the audit costs of the Fund's administrative operations is borne by the United Nations under the cost-sharing arrangement.

20. As regards internal audit costs, the Advisory Committee notes from paragraph 199 of the budget document that a provision is made for the continuation of general temporary assistance to cover posts at the current level (1 P-5, 1 P-4 and 1 General Service/(Other level)) and for an additional 12 months of general temporary assistance at the P-4 level to employ a specialist in information technology audit. The Committee notes also that a consultancy provision of $250,000 is requested in connection with internal audit functions for which no explanation is provided in the budget document. Upon enquiry, the Committee was informed that the provision reflects the estimated costs of one consultancy for an audit of the Fund's actuarial assumptions, annuity factors and surplus/deficit calculations ($170,000); one consultancy for the audit of the Investment Management Service's investment performance measurement system ($40,000); and one consultancy for an audit of the business continuity and disaster recovery planning for information technology and financial management systems ($40,000). **The Committee trusts that detailed information on all projects to be implemented by consultants, including their time frames, will be included in future budget submissions of the Fund.**

21. **The Advisory Committee recommends that, taking into account its comments and recommendations in the paragraphs above, the revised estimates for the biennium 2004-2005 be approved in the amount of $89,563,100 and that the proposed budget for the biennium 2006-2007 for the administrative expenses of the Fund be approved in the amount of $108,262,500. The latter amount represents a reduction of $290,200, which reflects the Committee's recommendations in paragraphs 16 to 18 above. Furthermore, the Committee has no objection to the proposal by the Standing Committee to supplement the voluntary contributions to the Emergency Fund by an amount not exceeding $200,000 for the biennium 2006-2007 (see A/60/183, paras. 200-201).**